

## Chapter 8

# The Secret to the Success of K-Pop: The Benefits of Well-Balanced Copyrights

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### ABSTRACT

*Today's mantra in many political and business circles is that stringent copyrights are needed for fostering cultural creativity and that piracy is the greatest obstacle toward creativity. If that were true, the success of Korean pop music or K-pop should never have occurred. This chapter seeks to explain this apparent paradox through three steps. First, today's mantra has little basis. Most of the existing world culture has been created without copyrights, and economic analysis stresses that stringent copyrights exacerbate monopolistic behavior that suffocates cultural. Second, this chapter analyzes the competitiveness of the current K-pop scene that has little relationship with stringent copyright regulations. Third, the same approach is utilized in order to demonstrate a fascinating relationship between the competitiveness gaining process and piracy suggesting that piracy actually helped the development and competitiveness of K-pop. The main lesson of this chapter is that only "well-balanced" copyright regulations are friendly to cultural creativity.*

## INTRODUCTION

Today's mantra in political circles among most developed countries is that stringent copyrights are needed for cultural creativity. And many existing studies (e.g., Bhattacharjee, Gopal, Lertwachara, & Marsden, 2006; Liebowitz, 2008; Adermon & Liang, 2010; IFPI, 2011; Danaher, Smith, Telang, & Chen, 2012) argue that piracy is one of the key reasons for the decline of music industry revenues. However, these arguments do not match the evolution of the Korean music industry which does not reveal any systematic link between copyrights and a lively music industry.

This chapter argues there are two reasons for the absence of such a link. First is that most of the existing studies do not pay enough attention to the key ambiguity of a copyrights regime from an economic perspective, that it requires a subtle "balance" between its competition and monopoly aspects. The story of Korean popular music, known as K-pop, strongly suggests that "good" copyrights should be "well-balanced," not a stringent regime.<sup>1</sup> Second, many existing studies do not take into account a holistic approach toward the music industry. They focus on on/offline music sales, ignoring new revenue sources and the many facets of piracy in this context. Several scholars however, such as Yamada (2011) and Kim (2012), argue that "loose" copyrights can bring positive results such as innovation and creativity.

This chapter thus focuses on the interactions between copyright-and-piracy related issues and the unexpected rise of Korean cultural products. It adopts economic and business perspectives which have long been considered taboo when analyzing cultural industries, but which would be more appropriate when coupled with real-world realities for our topic than an approach that is too much focused on laws or culture. By comprehensively incorporating the history and economics of copyrights and the technological development in the Korean music industry, it aims to provide policy-makers and business people with implications regarding the importance of considering such perspectives in strategic planning and operations to foster cultural industries.

The chapter consists of three sections. The first section presents a brief description on the history of the copyright regime, and an overview of the economic analysis on copyrights-and-piracy issues. The second section analyzes the competitiveness of the K-pop industry by using an international business framework to evaluate and describe the current status of the Korean music industry. The third section shows the impact of the copyright regime on K-pop's success and analyzes the effect of piracy, an unexpected but induced outcome of copyrights on K-pop through its history. The conclusion provides possible further studies that can be initiated by this chapter and several important implications that can be useful to achieve the real "cultural diversity" through "cultural excellence."

## BACKGROUND

In May, 2011, after half a decade of successes in Japan and East Asia, a total of 7,000 seats were sold out in only 15 minutes for the first "SM Town Live in Paris" K-pop concert. An extra concert had to be added in haste the next day after hundreds of K-pop fans from all over Europe rallied to Paris (Korean Culture and Information Service (KOCIS, 2011). In 2012-2013, the viral hit "Gangnam Style" by Psy took the world by storm. It remains a song with the largest number of clicks on YouTube. In October 2015, a concert by the South Korean idol group BigBang held in Los Angeles' Staples Center was reported as one of the top ten concerts in the world in terms of gross ticket sales according to Billboard (YG Family, 2015).

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